

**GOVERNMENT OF INDIA  
PETROLEUM AND NATURAL GAS  
LOK SABHA**

UNSTARRED QUESTION NO:2364  
ANSWERED ON:10.03.2011  
PROCESSING COST OF PETROL AND DIESEL  
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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the refining cost of petrol and diesel is almost same in all the oil refineries in the country;
- (b) if so, the details thereof;
- (c) whether despite the refining cost of petrol and diesel being almost similar, the consumer is getting petrol at much higher price as compared to diesel; and
- (d) if so, the reaction of the Government thereon?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI R.P.N. SINGH)

(a) and (b): Refining of crude oil is a process industry where crude oil constitutes around 90% of the total cost. Crude oil is processed through numerous processing units such as Crude Distillation Unit (CDU), Vacuum Distillation Unit (VDU), Fluid Catalytic Cracking Unit (FCC), Hydro-cracker, Coker unit, Lube Unit etc. Each of these units produces intermediate product streams, which require extensive reprocessing and blending. Finished petroleum products are produced from a blend of various intermediate streams and hence, production cost is not assigned to individual refined products.

(c) and (d): Based on the recommendations of the Rangarajan Committee, the Refinery Transfer Price (RTP) for Petrol and Diesel are fixed based on Trade Parity Price w.e.f 16th June 2006. The price of Petrol was made market-determined effective from 26.6.2010. Subsequent to de-control of petrol pricing, as the price of Petrol in the international market has been rising consistently in the recent months, Public Sector Oil Marketing Companies have been revising the price of Petrol.

The Retail Selling Price(RSP) of Petrol and Diesel is calculated by taking into account the following factors:

a) Price paid to refinery on trade parity basis b) Inland freight upto the market c) Marketing Margin d) Dealers commission e) Excise duty f) Value Added Tax and local levies

The current RSP of Petrol is Rs. 58.37/litre and Diesel is Rs. 37.75/litre at Delhi. The breakup of the current retail price build up of Petrol and Diesel at Delhi is given as under:

S. No.	Particulars	Petrol	Diesel
	(Rs./litre)	(Rs./litre)	

1.	Price without Customs Duty, Excise duty and Sales tax components	31.59	26.11
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Central Taxes

2.	Customs Duty based on 1st Fortnight of Mar'2011	2.46	2.27
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3.	Excise Duty including 3% education cess	14.78	4.74
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4. Total Central Taxes      17.05   7.20

States Taxes

5. Sales Tax            9.73   4.44

6. Total State Taxes      9.73   4.44

7. Total Taxes (4+6)      26.78   11.64

8. Retail Selling Price at Delhi (1+7)   58.37   37.75

**# Sales tax on Diesel is inclusive of Pollution Cess of Rs.0.25 per litre**

The RSP of Diesel continues to be regulated by the Government. The public sector oil marketing companies are currently incurring an under-recovery of Rs. 11.16/litre on Diesel (based on the Refinery Transfer Prices applicable for the 1st fortnight of March 2011).